Myriant
Chemistry Refined...Naturally

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The Honorable Jim Gerlach
2442 Rayburn House Office Building
Washington, DC 20515

The Honorable Linda Sanchez
2423 Rayburn House Office Building
Washington, DC 20515

April 12, 2013

RE: Comments for Manufacturing Tax Reform Working Group

Dear Congressman Gerlach and Congresswoman Sanchez:

On behalf of Myriant, I appreciate the opportunity to submit the following comments on manufacturing tax reform to your working group.

I. Background

Myriant is an emerging global leader in the renewable chemicals industry. Myriant makes and sells "green" chemical intermediates that go into the production of everyday consumer applications—from plastics and coatings to fibers and pharmaceuticals. Myriant's chemicals are produced from renewable, sustainable feedstocks instead of from petroleum-based sources. Myriant's new bio-succinic acid facility in Lake Providence, Louisiana, will be the largest in the United States and will produce chemicals for our customers and partners across the globe. Over the past several years Myriant has invested millions of dollars into its Lake Providence facility – directly employing over 250 people during the engineering and construction phase of the project and over 50 full-time employees. We hired many of our full-time employees for the Lake Providence plant from the region, bringing good wage jobs to one of the poorest counties in the country.

Due to the intense global market interest in bio-based chemicals—our production capacity is sold out for the first five years—we are evaluating plans for an even larger facility in the U.S. for the production of bio-succinic acid and other high value, green specialty chemicals that can be sold into large, established markets.

The bio-based chemicals industry provides an exciting opportunity for domestic manufacturing. We have analyzed a variety of data and have found that due to excellent access to feedstock, low domestic natural gas prices, and solid infrastructure and workforce skills, it is cheaper to produce our renewable chemicals in the United States than in any other country. In the renewable energy and bio-based technology sectors, foreign countries – particularly those in Asia – are offering U.S. companies incentives and financing packages far more generous than at what they can receive at home. The competition among nations to capture these new markets and the associated manufacturing base is in full swing. Unless the U.S. recognizes and responds to the increasingly intense competition for clean energy companies taking place today, technologies like Myriant's will continue to be developed in the United States, but then commercialized and manufactured abroad.

II. Policy Recommendations

In general, Myriant supports a simplified, transparent tax code. We aspire to grow our business so that we are in a position where a lower corporate rate with fewer deductions would benefit us. But at the current time, as we commercialize our technology, a lower overall corporate rate will not incentivize investments in innovative and emerging technologies like ours as much as targeted incentives will. With this in mind, I would like to offer the following three recommendations to the committee.

Provide Targeted Tax Incentives to Drive Investments in Innovative Bio-based Technologies

Because the renewable chemical industry is still rather new, the tax code does not recognize it as it does other renewable industries like biopower or biofuels. Policy is still catching up with technological developments. We encourage Congress to take advantage of this opportunity to provide parity for renewable chemicals where necessary.

That is why Myriant supports the Qualifying Renewable Chemical Production Tax Credit Act (introduced in the 112th Congress as H.R. 4953 and S. 3491), which would provide a similar type of incentive afforded to other technologies utilizing renewable biomass. This targeted production tax credit would promote the domestic production of innovative renewable chemicals, create thousands of high quality U.S. jobs, reduce demand for imported petroleum, and help maintain U.S. leadership in chemistry and manufacturing. The proposed legislation would not create an open-ended incentive divorced from industry progress or market conditions. Rather, the legislation is designed to be targeted by a) capping the total value of the incentive and b) restricting the timeframe in which it can be used.

The ultimate policy goal of the bill is to enable the bio-based industry to achieve sufficient scale at which point the technology and market are mature enough for the private sector to invest in without incentives. We assert this legislation would not only enable the bio-based industry to scale, but also provide consistency in the tax code for technologies utilizing renewable biomass.

Expand and Improve the Advanced Energy Manufacturing Tax Credit (48C)

To achieve the economies of scale necessary to establish a thriving, domestic bio-based chemical industry will require billions of dollars of private sector capital investment in U.S. manufacturing facilities.

However, the 48C Advanced Energy Manufacturing Tax Credit, one of the signature incentives Congress enacted to catalyze the level of investment necessary to establish a robust U.S. clean energy manufacturing base, does not clearly enumerate whether bio-based manufacturing can qualify for the competitive tax credit. Unfortunately, this is largely a moot point today as on 6% of the total credit remains available in 2013.

Therefore, Myriant supports legislative efforts to raise the 48C allocation from its almost exhausted $2.3 billion, and any legislation to that end should specifically enumerate that renewable chemicals qualify as an eligible technology.

Allow Master Limited Partnership (MLP) Treatment for Bio-Based Chemicals

Lastly, Myriant supports expanding master limited partnership treatment to technologies utilizing renewable natural resources, not just natural resources such as coal or oil. If facilities processing natural gas liquids into chemicals like olefins qualify for the MLP operating structure (as the IRS determined in October 2012), then facilities processing renewable biomass into similar chemicals should qualify as well. MLPs have provided a stable and efficient source of capital, and they allow investors to take direct stakes in energy projects. Just as MLPs have helped build much of our modern oil and gas infrastructure, using the MLP structure would drive investment in bio-based chemicals infrastructure. The start-up of Myriant's 30 million pound/year bio-succinic facility in Lake Providence and the construction of other biorefineries around the world demonstrate that the industry can more than meet technical challenges. However, until the industry achieves scale, companies like ours are faced with a relatively high cost of capital. Extending MLP structures to renewable energy and renewable chemicals would help lower the cost of capital and drive private investment.

Thank you again for the opportunity to provide these comments.

Sincerely,

Susan Hager

Susan Hager
SVP Corporate Communications
& Government Affairs